



## ECONOMIC INSIGHT HUB

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### ► LAUREN'S TAKE

## Virgin brings star power to San Jose Airport

For travelers catching a flight from San Jose to Los Angeles, say hello to Virgin America.

The airline debuted the new flight route on May 1, with an appearance by Virgin Group Founder Sir Richard Branson.

Branson whetted the appetites of travelers by teasing more flights from Silicon Valley to the East Coast.

David Cush, the Burlingame-based airline's president and CEO, said the company will consider additional service after gauging response to the short flight from SJC to LAX.

Virgin America already offers dozens of flights from

San Francisco, but Silicon Valley advocates say direct flights from San Jose offer Virgin America Inc. more market share, especially among business travelers.

### Minimum wage bump

A measure to increase California's minimum wage from \$8 to \$9.25 an hour by 2016 cleared its first legislative hurdle last week.

A state Assembly committee approved the bill along party lines, with Republicans in opposition.

Luis Alejo (D-Salinas)

introduced the measure, which would increase the state-mandated wage to \$8.25 an hour in January 2014. The wage would then rise by \$0.50 each year until 2016 and be linked to inflation starting in 2017.

San Jose already made the move to up the minimum wage, when voters in November approved an increase to \$10 an hour. The change went into effect last month.

Like San Jose, the state bill pits business against labor.

The National Federation

of Independent Businesses projects that the increase would cost the state \$4.7-\$5.7 billion in economic output and 46,000 jobs in the next decade.

However, minimum wage studies cited by pro-labor groups tell a different story. The University of California, Berkeley, and the Centre for Economic Policy both found no job loss after wage increases in other cities. The studies concluded that higher wages give workers more spending power, which should help grow the economy.

# Ramirez's No. 1 mission: Tourism

MORGAN HILL BUSINESSES TEAM UP TO LURE SILICON VALLEY STAYCATION CROWDS



Food, wine, scenery: Edith Ramirez sees nothing but tourism potential for Morgan Hill.

To promote the city as a Silicon Valley destination, Ramirez, 39, embarked on a quest last month to help local businesses join forces in an effort to attract more tourism dollars.

Ramirez, a native of Mexico City, took over as Morgan Hill's chief planner and economic development manager in October 2011 after working for San Jose's redevelopment agency. In the interview below, she shares her thoughts on Morgan Hill's advantage over Napa Valley, new downtown openings and the city's biggest challenges for managing growth.

### Why focus on tourism now?

Our community is maturing. We see ourselves becoming the wine and food heart of Santa Clara County. The county has been working with our wineries to upgrade their infrastructure and hold events. That's going to make us more competitive with other wine regions. We've seen an increase in high-end restaurants drawing customers from as far as Mountain View.

### How do you build Morgan Hill's appeal?

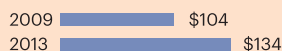
There is a great opportunity for us to cross-promote. The wineries can promote the restaurants, and the restaurants can promote the wineries. We have these great amenities but they're currently functioning in their own silos.



DINO VOURNAS

## MORGAN HILL'S RISING HOTEL RATES

Average room rates per night:



Occupancy rates: From 58 percent during 2009 to 74.6 percent in Q1 2013

### Which demographic are you targeting?

Anything south of San Francisco. We are an alternative to wine regions north of San Francisco. Some of our wineries like to promote themselves as the wineries that have no tolls and no bridges.

### What downtown plans are in the works to help grow the city's tourism industry?

We have a number of key sites in downtown Morgan Hill targeted for mixed-use development. This

summer we're going to prepare a long-term property management plan that will likely result in a Request for Proposal. We're looking at density, but density for our community – three stories – not like San Jose high rises.

### Beyond tourism, what other sectors are doing well?

Food production – whether it's making soup or making cheeses – is growing. That's a niche to our city, so we made a zoning change from general to light industrial to accommodate businesses like wholesale bakeries that are looking for space. We are also seeing growth in advanced manufacturing and auto dealers. We have outdoor sports companies here like Specialized Bicycles.

### Will we see more office space in Morgan Hill?

We have very limited office – especially class A office. It's actually

one of the things we're considering for the Downtown Specific Plan looking for mixed-use development.

### What are the city's biggest challenges?

One question is how do we attract more R&D and those creative minds? We need to grow our housing options. We need to (urbanize) our downtown and add high-end rental properties. One out of every 10 residential units in the city is affordable, but we know we need more market-rate housing. We are also actively looking for a boutique hotel near the downtown.

### How about getting to Morgan Hill?

We need to grow our transportation system to make our community more sustainable and attractive. We do have a reverse commute, but we also hope to increase Caltrain service. Another option could be working more with our private companies on shared vans.

**19.8%****MOVING UP**

Year-over-year increase in Morgan Hill median home prices, from March 2012 to March 2013

**892****SO MANY CHOICES**

Restaurants within 15 miles of Morgan Hill

SOURCE: U.S. CENSUS BUREAU, ZILLOW

**► MORGAN HILL BY THE NUMBERS****BY THE NUMBERS****38,477**

Population

**35**

Median age

**\$94,301**

Median household income

**\$585,200**

Median home price

**38.8%**

Bachelor's degree or higher

SOURCE: 2011 U.S. CENSUS BUREAU DATA, CITY OF MORGAN HILL, ZILLOW



FILE PHOTO

Salvatore Calisi, owner of Odeum

**RESERVATIONS A MUST TO GET WEEKEND TABLE AT ODEUM**

Fine dining occupies a central role in Morgan Hill's push to lure more tourists.

Salvatore Calisi, owner of downtown restaurant Odeum, opened his business in June 2011 after buying a home in Morgan Hill. He previously was the executive chef and a partner in Los Gatos restaurant Dio Deka, where he earned a Michelin star.

"It's a beautiful area," Calisi said of Morgan Hill. "You have more room, you have wineries, but there was never a big selection of food to choose from."

He found strong demand for Odeum, which now requires reservations most weekend nights. The restaurant draws diners from Saratoga, Los Gatos, Santa Cruz and Campbell, among other nearby cities.

Calisi is participating in ongoing efforts to help draw more visitors to the city, but said it will likely take more downtown restaurants and retail to gain a foothold in the competitive Northern California market. In the meantime, he stays busy scouting additional restaurant locations.

"I want to open up many locations," Calisi said of his adopted city. "Morgan Hill could use as much as we can put together."

**► DEAL WIRE****MEGA SHOE PALACE DEAL IS RIGHT FIT**

A major shoe retailer with both brick-and-mortar and e-commerce operations looks like the next big tenant in Morgan Hill.

**Shoe Palace Corp.**, currently based in San Jose, is reportedly in contract to buy a 250,000-square-foot warehouse at 755 Jarvis Drive. The company has filed a use permit with the city and plans to use 219,000 sq. ft. for warehouse and 17,500 for office use.

The deal has not been finalized, and the company and brokers working on the deal did not answer requests for comment. It's the second property on Jarvis to sell. A 52,225-square-foot R&amp;D building sold for \$2.6 million about a month ago.

When the deal is completed, the permit indicates that Shoe Palace will relocate 75 workers to Morgan Hill, with plans to grow to 225 employees within 18-24 months.

**TOP EMPLOYERS**► Lusamerica Foods Inc.: **16,480**► Infineon Technologies, North America Corp.: **18,275**► Fox Racing USA Inc.: **18,400**► TenCate Advanced Composites USA Inc.: **18,410**► Comcast Cable Communications: **18,665**► Paramit Corporation: **18,735****From the Leading Educator of Entrepreneurs in Silicon Valley****California Program for Entrepreneurship**

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